Weekly Economic Review

Manufacturing shipments continue to rise

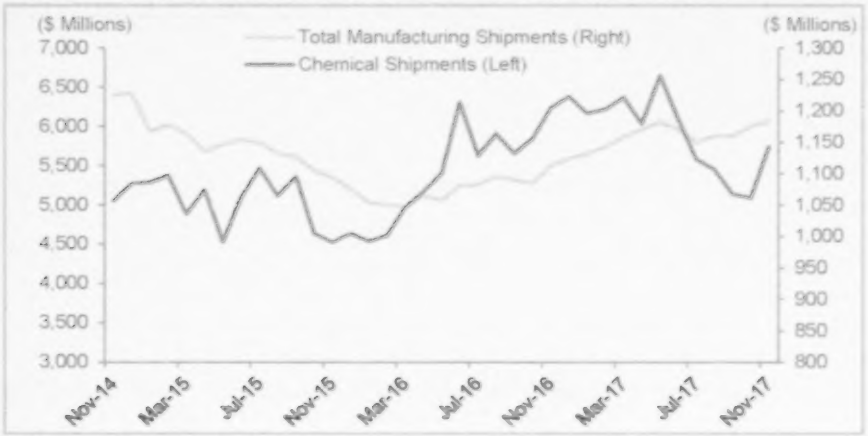
Manufacturing Shipments

Chemical sales bounce back

After taking a pause over the summer, Alberta's manufacturing sector extended gains in the last quarter of 2017. The value of manufacturing shipments grew 1.2% month-over-month (m/m) in November to reach a three-year high of $6.1 billion. Most of the gains were in the non-durable goods sector, led by chemical (+7.6% m/m) and food (+2.5% m/m) shipments (Chart 1). Chemical shipments jumped after declining in six of the last seven months, boosted by higher prices. These gains were capped by a decline in non-durable goods (-2.5% m/m), as sales were down in eight out of ten industries. Compared to the previous year, shipments were 10% higher.

Chart 1: Stronger chemical sales lift Alberta manufacturing shipments

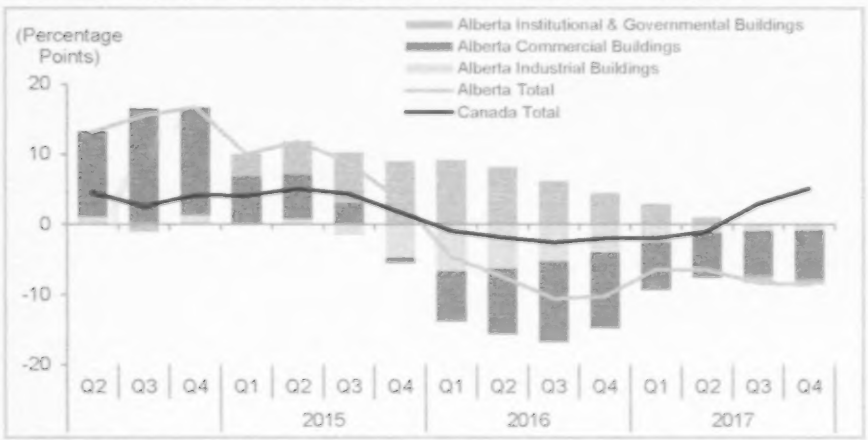
Alberta seasonally adjusted chemical shipments and total shipments



Source: Statistics Canada

Chart 2: Alberta non-residential construction sector lagging

Contributions to year-over-year growth in non-residential investment



Source: Statistics Canada

Non-Residential Investment

Investment mired in weakness

Alberta's non-residential sector continues to weigh on overall construction activity. In the fourth quarter of 2017, non-residential building investment fell 1.5% quarter-over-quarter (q/q) to $2.4 billion, the lowest level in over four years. The decline reflected continued weakness in commercial (-4.3% q/q) and industrial (-8.5% q/q) construction . This was offset by a quarterly increase in institutional and governmental investment (+6.8% q/q), largely reflecting construction of the new Calgary Cancer Centre hospital. Compared to a year ago, non-residential building investment in Alberta was down 8.5% (Chart 2). At the national level it was up 5.1% year-over-year (y/y), led by growth in Ontario, Quebec and British Columbia.

New Vehicle Sales

New vehicle sales stall

After strong gains throughout 2017, growth in new vehicle sales eased at the end of the year. Albertans purchased 19,032 new vehicles in November, down slightly from a year ago (-0.7% y/y). Sales pulled back as truck sales slipped from elevated levels and car sales remained weak. Even with the decline, new vehicle sales were up 12% year-to-date (YTD), with truck sales accounting for the entire gain (+15.8% YTD).

Resale Housing

Solid finish for resale market

Resale activity in Alberta's housing market finished 2017 on a strong note. Seasonally adjusted home sales surged 13.4% m/m to 5,579 units, the highest level in three years (Chart 3). Sales activity accelerated across the province in the past two months as buyers rushed to complete purchases ahead of the new mortgage rules that came into effect in January and the anticipated increase in interest rates in 2018. While nearly all regions posted gains, sales were particularly strong in Edmonton. They reached the highest level since April 2007. Despite higher sales, province-wide average resale prices moved lower for the second month in a row after being stable for most of 2017. This is mainly due to resale prices in Calgary giving back gains made early in the year.

Employment Insurance

EI beneficiaries levels out

The number of Albertans receiving regular Employment Insurance (EI) benefits appears to be levelling off after a year of consistent monthly declines. EI beneficiaries marginally ticked up 1.8% m/m to 63,480 in November (Chart 4), with the increase concentrated in Edmonton and within the trades, transport and natural resources and agriculture production occupations. At the same time, the number of EI claims rose (+6.3% m/m) for the second month in a row but remained lower compared to a year ago (-9.5% y/y).

Bank of Canada

Bank of Canada hikes interest rate

The Bank of Canada (BoC) hiked its policy interest rates after taking a pause in December. In a widely anticipated move, the BoC increased its target interest rate by 25 basis points to 1.25% in light of strong economic data. However, the BoC reiterated a cautious approach to further interest rate increases, citing uncertainties surrounding NAFTA trade renegotiations, rising household debt and significant price declines in overheated housing markets as key potential risks. The BoC also highlighted that the global economy is expected to grow robustly in the near term while Canada is expected to moderate from 3.0% in 2017 to 1.6% in 2019, towards its long-run growth rate.

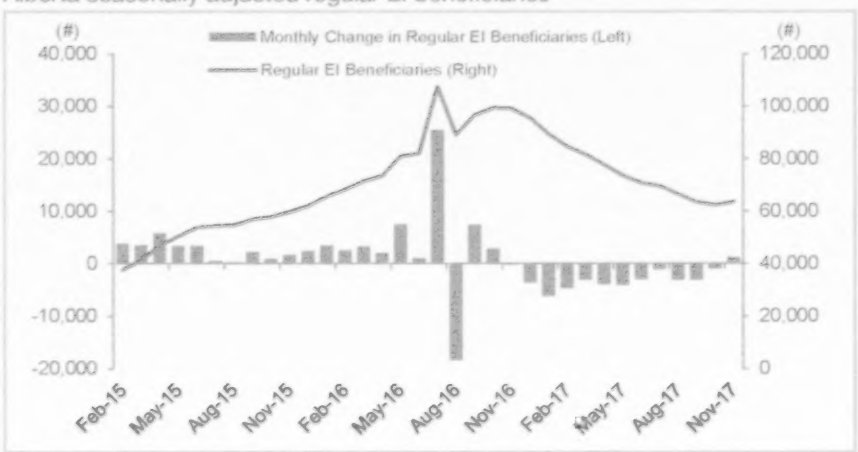
Chart 3: Sales rebound in November

Alberta seasonally adjusted unit sales and average resale price

Source: The Canadian Real Estate Association

Chart 4: Regular EI benefits tick up after 12 monthly declines

Alberta seasonally adjusted regular EI beneficiaries



Source: Statistics Canada

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.